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# KEY ANACON MINES

L I M I T E D

**ANNUAL  
1965  
REPORT**



FOR THE YEAR ENDED DECEMBER 31.



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# KEY ANACON MINES LIMITED

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EMPIRE TRUST COMPANY ..... New York City, New York

## AUDITORS

THORNE, MULHOLLAND, HOWSON & McPHERSON  
Suite 902, 111 Richmond St. W., Toronto, Ontario

## HEAD OFFICE

SUITE 908, 330 BAY STREET ..... Toronto, Ontario

# KEY ANACON MINES LIMITED

## *Directors' Report*

### TO THE SHAREHOLDERS:

Your Directors are pleased to present for your consideration the Eighteenth Annual Report of the Company, including a copy of its balance sheet and related financial statements for the year ended December 31st, 1965, and the report of the auditors.

A review of the results to date of the programme of rehabilitation and mine development designed to ready the Province of New Brunswick property for production, and a resume of the mining properties held by the Company follows:

#### Parish of Bathurst, Gloucester County, New Brunswick

The New Brunswick property of the Company comprises an area of 2,242 acres, held under two Mining Licenses, situate in the Parish of Bathurst, County of Gloucester and located approximately two and one-half miles south-east of the number 12, and approximately four and one-half miles north-east of the number 6 properties of Brunswick Mining and Smelting Corporation Limited. The accompanying sketch shows the location of your Company's holdings in relation to the locations of the two properties of Brunswick Mining and Smelting Corporation Limited.

#### Development and Exploration

The programme of rehabilitation and mine development was continued throughout the year. A total of 5,273 feet of underground lateral development was carried out on levels between the 250 foot and 1,300 foot elevations. Additionally, some 3,901 feet of raising was done which included complete ore, waste and ventilation raise systems. Such work produced 44,000 tons of rock, of which 10,000 tons is ore grading 2.72% lead, 7.35% zinc, 0.22% copper and 2.93 ounces of silver per ton, and has been stockpiled

on surface. A total of 43,038 feet of underground diamond drilling, comprised of exploratory measures and ore outlining of the number 2 stope, was completed. Exploration work carried out on the 1,000 foot, the 1,150 foot and the 1,300 foot levels outlined a new ore zone. It lies between the number 2 and number 1 zones, below the 850 foot level, and is designated as the number 2A ore zone. Calculated tonnage to date is in the order of 276,000 tons. The zone is open below the 1,400 foot horizon, and is likely to continue to depth. The number 1 stope in the number 2 ore zone was 80% developed for blast hole mining by year end. This stope is expected to produce at a rate of 600 tons per day. On the 700 foot level a cross-cut, driven through the ore zone gave the following results:

WIDTH — 107 feet — 4.71% lead, 10.77% zinc, 0.46% copper and 4.82 ounces of silver per ton.

A total of 1,807 feet of surface diamond drilling was completed to test copper values in an area 2,000 feet north of the shaft. Assay results ranged from 0.25% to 0.91% copper over widths up to 5 feet. Underground exploration is recommended for this area.

No underground exploration was carried out on the number 1 and number 3 zones which lie respectively south and north of the Main number 2 ore body. The two zones have an indicated reserve of 575,000 tons of lower grade mineralization based on a limited amount of surface drilling. It is felt that the two zones have good possibilities of developing into fully fledged ore bodies. Plans are to provide underground openings from which to further examine the upper horizons, and also test the downward extensions.

#### Ore Reserves

Proven ore reserves have been increased by 355,000 tons and now total 1,818,484 tons, calculated as follows:



PROVEN					Oz.
Zone	Tons	% Lead	% Zinc	% Copper	per Ton of Silver
2	1,542,484	3.03	7.73	0.23	2.59
2A	276,000	3.02	5.84	0.07	3.05
Total	1,818,484	3.03	7.43	0.20	2.67

PROBABLE ORE					
Zone					
1	350,000	1.40	5.25		1.70
3	225,000	1.97	8.17		1.69
Total	575,000	1.62	6.39		1.70

No allowance has been made for dilution in the above estimates.

Metallurgical tests are being conducted to ascertain the characteristics of a pyrite concentrate which would represent a commercial by-product of our ore after the extraction of precious and base metals.

The mine has an excellent chance of upgrading the indicated reserves in the No. 1 and No. 3 zones by means of further exploration and close interval drilling. The possibilities at depth on all zones remain an unknown factor.

### Other Mining Properties

#### 1. CHIBOUGAMAU, QUEBEC

The gold-copper mine situate in Rohault and La Dauversiere Townships, Quebec, held by the Company under Development Licenses is held in good standing. The Mining Claims and Mining Concessions in Cadillac Township, Quebec, are also continued in good standing.

#### 2. LAC ROMANET, QUEBEC

No additional work was undertaken on the copper prospect held by the Company in the Lac Romanet Area of Quebec. All 16 claims, however, are retained in good standing.

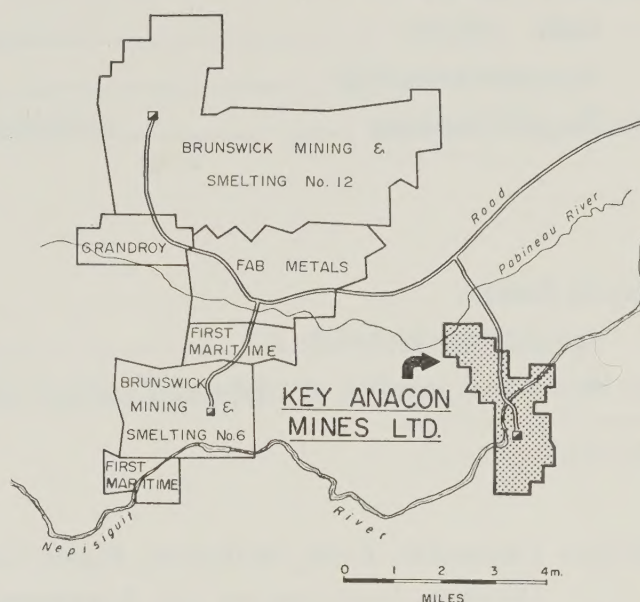
#### 3. BATCHAWANA RIVER AREA, ONTARIO

A limited amount of exploratory work was carried out on the 36 mining claims situate in the Batchawana River Area, north of Sault Ste. Marie, Ontario. The results of such work

were inconclusive, and subsequent to the year end the claims were abandoned and allowed to lapse.

#### 4. TOWNSHIP OF MCGARRY AND MCFADDEN, ONTARIO

The Company continues to hold its 24 Patented Mining Claims situate in the Townships of McGarry and McFadden, Ontario, comprising an area of 726.97 acres. No additional work has been undertaken on the area covered by the claims for some time as a result of the low price for gold.



### General

The Company is now negotiating for senior financing to bring its Bathurst, New Brunswick property into production. The shareholders will be informed if and when negotiations have been finalized.

The Chibougamau, Quebec property is considered to have good exploration chances. The recent increases in the price of copper has prompted your Company to re-appraise this property with the hope of re-opening operations at an early date.

Respectfully submitted,

On behalf of the Board of Directors,

M. J. BOYLEN,  
President.

DATED at Toronto, Ontario,  
this 19th day of May, 1966.

# KEY ANACON

*Incorporated in*

## Balance Sheet De

### ASSETS

#### CURRENT ASSETS:

Cash .....	2,718	
Accounts receivable .....	29,139	
Prepaid expenses .....	3,802	35,659

#### OTHER ASSETS:

Investments (Schedule A) .....	3,345,820	
Stores and supplies, at cost .....	39,614	3,385,434

#### MINING PROPERTIES, LAND, BUILDINGS, PLANT AND EQUIPMENT, DEFERRED DEVELOPMENT AND ADMINISTRATIVE EXPENSES (Schedule B):

Mining properties .....	225,155	
Land, buildings, plant and equipment .....	567,219	
Deferred development and administrative expenses .....	4,942,835	5,735,209

Approved on behalf of the Board:

M. J. BOYLEN, Director.

G. L. MOORE, Director.

\$9,156,302

The accompanying schedules and notes

This is the balance sheet referred to in



# MINES LIMITED

laws of Ontario

December 31st, 1965

## LIABILITIES

### CURRENT LIABILITIES:

Bank advances (note 1) .....	240,000	
Accounts payable and accrued liabilities .....	143,684	
Instalment due within one year on convertible debentures .....	180,000	563,684

BANK LOAN (note 1) .....		3,375,000
6% CONVERTIBLE DEBENTURES (note 2) .....	900,000	
Less Instalment due within one year included under current liabilities .....	180,000	720,000
		<u>4,658,684</u>

## SHAREHOLDERS' EQUITY

### CAPITAL STOCK:

Authorized, 6,000,000 shares of the par value of 20 cents each		
Issued, 4,623,254 shares .....	924,651	
CONTRIBUTED SURPLUS .....	2,109,302	
RETAINED EARNINGS .....	1,463,665	4,497,618

\$9,156,302

an integral part of this statement.

Report to the shareholders dated April 13, 1966.

THORNE, MULHOLLAND, HOWSON & MCPHERSON  
CHARTERED ACCOUNTANTS

TORONTO

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NASSAU AND FREEPORT IN BAHAMAS  
BRIDGETOWN, BARBADOS

SUITE 902  
111 RICHMOND STREET WEST  
TORONTO 1, ONT.

AUDITORS' REPORT

To the Shareholders of  
Key Anacon Mines Limited:

We have examined the balance sheet of Key Anacon Mines Limited as at December 31, 1965 and the statements of retained earnings and deferred development and administrative expenses for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and related statements of retained earnings and deferred development and administrative expenses present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,  
April 13, 1966.

*Thorne, Mulholland, Howson & McPherson*  
Chartered Accountants



# KEY ANACON MINES LIMITED

## NOTES TO FINANCIAL STATEMENT

Year ended December 31, 1965

### 1. BANK ADVANCES AND LOAN:

Bank indebtedness is secured by pledge of shares of Brunswick Mining and Smelting Corporation Limited.

### 2. CONVERTIBLE DEBENTURES:

The principal amount is repayable in equal annual instalments of \$180,000 on the 15th day of October, 1966 to 1970 inclusive.

Debentures are convertible at the option of the holder, at any time up to the close of business on the day immediately preceding any annual principal repayment date, into one share of capital stock of the company for each one dollar of debenture principal.

## INVESTMENTS

December 31, 1965

	No. of shares	
Brunswick Mining and Smelting Corporation Limited (note 1) .....	921,700	3,180,705
Hewbet Mines Limited .....	400,000	130,000*
Bachelor Lake Gold Mines Limited (note 2) .....	125,000	9,375*
Bocabois Gold Mines Limited (note 2) .....	164,000	5,740*
Nigadoo River Mines Limited (note 3) .....	4,444	20,000*
		<u>\$3,345,820</u>

\* Figures represent cost.

### NOTE 1:

In 1953 the company received 772,400 shares of Brunswick Mining and Smelting Corporation Limited as consideration for interest in mining claims. These shares were valued by the company at that time at \$20.00 per share. In 1960, by resolution of the Board, these shares were reduced to \$3.00 per share, being the approximate quoted market value as at December 31, 1960. Other shares are valued at cost.

### NOTE 2:

Acquired from New Larder "U" Island Mines Limited 1955 under the terms of the plan of re-organization dated December 17, 1954.

### NOTE 3:

Acquired from Nigadoo Mines Limited (now Nigadoo River Mines Limited) in 1957 as part consideration for the sale of the assets of the Keymet operation.

### NOTE 4:

The quoted market value of investments is \$14,767,200 in the aggregate but, because of the large blocks of shares involved, quoted market value is not necessarily indicative of the amount that might be realized if these investments were to be sold.

# KEY ANACON MINES LIMITED

## MINING PROPERTIES, LAND, BUILDINGS, PLANT AND EQUIPMENT, DEFERRED DEVELOPMENT AND ADMINISTRATIVE EXPENSES

December 31, 1965

	Mining properties	Land buildings, plant and equipment	Deferred development and administrative expenses	Total
24 Patented mining claims in the Township of McGarry and McFadden, Ontario, at cost .....	2,200			2,200
2 Mining Licenses comprising 2,242 acres in Parish of Bathurst, County of Gloucester, New Brunswick, at cost .....	66,340	523,964	1,856,900	2,447,204
32 Mining claims and 3 mining concessions in the Township of Rohault and La Dauversiere, Chibou- gamau Area, Quebec, at cost .....	119,945	43,255	2,355,404	2,518,604
Less Written off to date .....			637,789	637,789
	119,945	43,255	1,717,615	1,880,815
11 Mining claims and 2 mining concessions in Town- ship of Cadillac, Quebec, at cost .....	15,000			15,000
16 Mining claims in the Lac Romanet Area, Quebec, at cost .....	19,870		8,413	28,283
36 Mining claims in the Batchawana River Area, Ontario, at cost .....	1,800		3,981	5,781
Administrative expenses .....	225,155	567,219	3,586,909 1,355,926	4,379,283 1,355,926
	<u>\$ 225,155</u>	<u>\$ 567,219</u>	<u>\$4,942,835</u>	<u>\$5,735,209</u>



# KEY ANACON MINES LIMITED

## STATEMENT OF RETAINED EARNINGS

Year ended December 31, 1965

Retained earnings at beginning of year .....	1,467,561
Deduct Organization expense written off .....	3,896
RETAINED EARNINGS AT END OF YEAR .....	<u>\$1,463,665</u>

## STATEMENT OF DEFERRED DEVELOPMENT AND ADMINISTRATIVE EXPENSES

Year ended December 31, 1965

	Balance at beginning of year	Expenses for year	Balance at end of year
DEVELOPMENT EXPENSES:			
New Brunswick property .....	1,313,559	543,341	1,856,900
Chibougamau property .....	1,721,770	(4,155)	1,717,615
Lac Romanet property, exploration .....	8,203	210	8,413
Batchawana River property, exploration .....	2,251	1,730	3,981
	<u>3,045,783</u>	<u>541,126</u>	<u>3,586,909</u>
ADMINISTRATIVE EXPENSES .....	1,053,633	302,293	1,355,926
	<u>\$4,099,416</u>	<u>\$ 843,419</u>	<u>\$4,942,835</u>

# KEY ANACON MINES LIMITED

## DEVELOPMENT EXPENSES

Year ended December 31, 1965

### NEW BRUNSWICK PROPERTY

Dewatering and mine rehabilitation .....	3,072	
Plant rehabilitation .....	455	
Substations, loading and spill pockets .....	346	
Ore and waste passes .....	60,140	
Drifting, crosscutting and diamond drilling .....	217,030	
Stope preparation .....	93,519	
Raisings .....	60,155	
Surface exploration and diamond drilling .....	8,435	
Miscellaneous .....	227	
		<hr/>
		443,379

#### MINE OFFICE OVERHEAD:

Staff house and residence expense .....	2,860	
Engineering fees and expense .....	11,690	
Fire protection .....	7,983	
Travel and freight .....	2,764	
Insurance and taxes .....	8,843	
Mine office and warehouse expense .....	18,611	
Experimentation and research .....	3,060	
Snow removal and road maintenance .....	2,902	
Superintendence .....	19,536	
Employee benefits .....	22,858	
Sundry .....	488	

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101,595

Less Rentals on residences and equipment .....	1,633	99,962
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\$ 543,341

### CHIBOUGAMAU PROPERTY

Equipment rental income .....	1,708	
Salvage and recovery of prior years' expenses .....	3,516	5,224

#### Deduct expenses:

Mining licenses and fees .....	957	
Taxes .....	112	1,069

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\$ 4,155



# KEY ANACON MINES LIMITED

## ADMINISTRATIVE EXPENSES

Year ended December 31, 1965

Interest and bank charges, including debenture interest of \$40,175 .....	244,231
Transfer agent and registrar fees .....	6,294
Administration .....	12,000
Reports to shareholders .....	3,799
Stationery and postage .....	17,967
Maps and blueprints .....	1,405
Telephone and telegraph .....	1,255
Engineering and consulting fees .....	5,552
Travel expense .....	5,097
Filing, listing and sustaining fees .....	870
Legal and audit .....	2,453
Directors' attendance fees .....	1,600
Sundry .....	798
	<hr/>
	303,321
<i>Deduct</i> Interest and discounts received .....	1,028
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	<u>\$ 302,293</u>

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